



150 Years  
Science For A Better Life



SINCE 1863 – INNOVATING FOR THE FUTURE

## Investor Handout

# Q2 2013

August 2013



150 Years  
Science For A Better Life

This presentation may contain forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports which are available on the Bayer website at [www.bayer.com](http://www.bayer.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Figures for 2012 have been restated due to changes in accounting policies relating to the accounting standards IAS 19R ("Employee Benefits") and IFRS 11 ("Joint Arrangements"). In addition, Bayer changed accounting for the stock-based compensation program.



**Disclaimer**

# Our Mission – Innovation and Customer Value



## Science For A Better Life

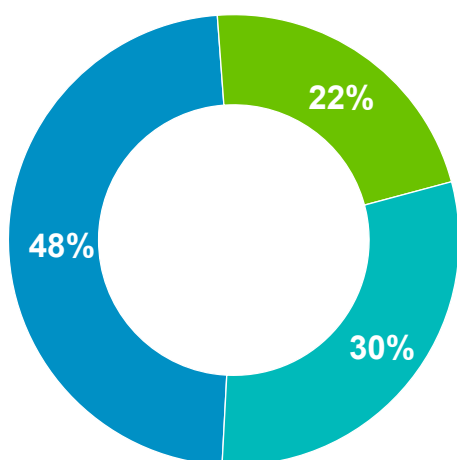
### Science / Innovation

- **Bayer is an innovation company**
  - With a strong “innovation portfolio”
  - Addressing new growth areas
  - Capable of identifying and using breakthrough innovations
- **Bayer is innovative in many ways:** Products, technologies, processes, business models, strategies

### Better Life

- Bayer products improve the quality of people’s lives
- Bayer has an excellent understanding of human, animal and plant health, as well as of high-quality materials
- Respect for people and nature is an essential part of our values

# Our Business Portfolio – Leading in Its Markets



Sales 2012: €39.7bn

**€18.6bn** | **HealthCare**  
Pharmaceuticals €10.8bn, leading positions in core indications  
  
Consumer Health €7.8bn, OTC pharmaceuticals, blood glucose meters, contrast media and veterinary medicines, global #2-5

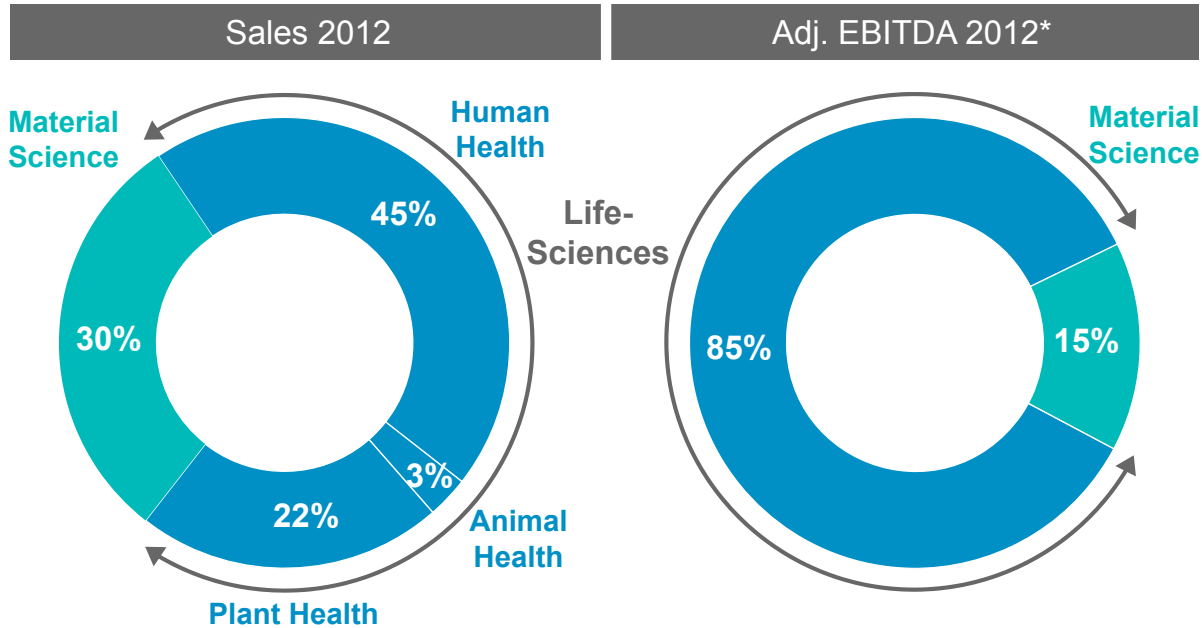
**€8.4bn** | **CropScience**  
Chemical crop protection & biologicals, global #2, seeds & traits

**€11.5bn** | **MaterialScience**  
Polyurethanes and polycarbonates, global #1/2

# We are Generating the Vast Majority of our Business in the Life-Sciences



Breakdown excluding Reconciliation

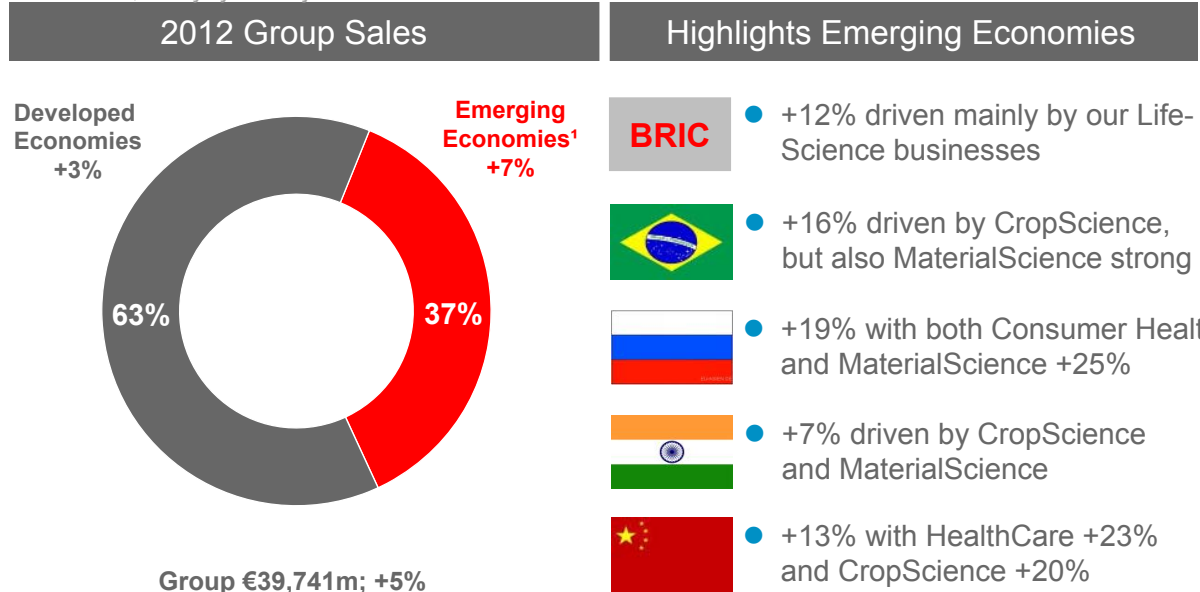


\*EBITDA before special items

# Strong Presence in the Emerging Markets

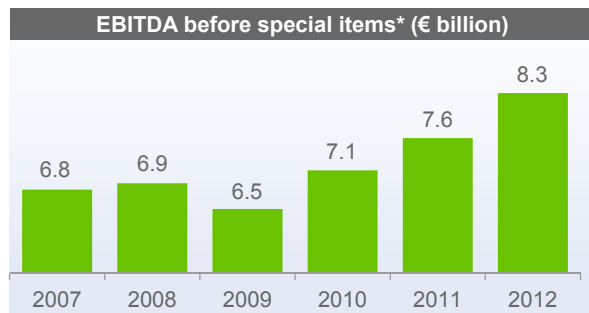
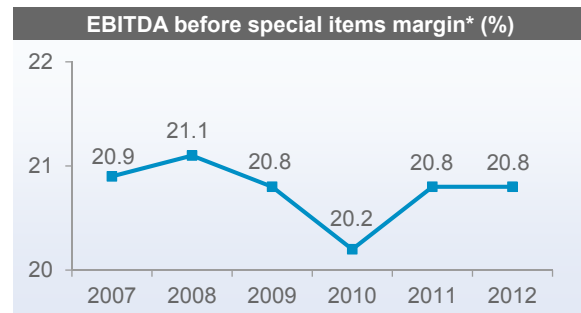
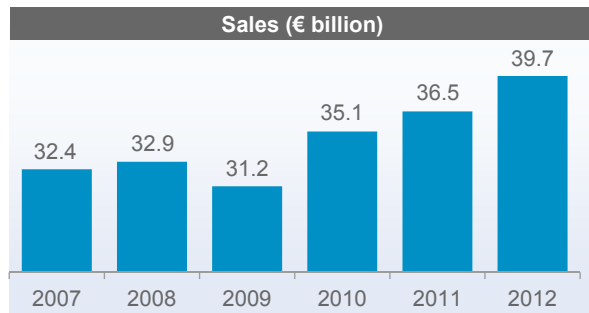


In € million, Δ% yoy Fx adjusted



<sup>1</sup> Emerging economies include: Latin America, Asia w/o Japan, Australia, New Zealand, Africa and Middle East incl. Turkey, Eastern Europe

# Our Track Record – Delivered Growth and Performance



\* 2007 - 2008 from continuing operations

# 1H 2013

## Strong Growth in Life Sciences

# 1H 2013 – Group Performance Driven by Life Sciences



## Sales

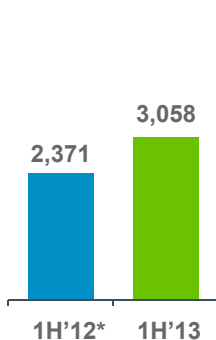
in € million  
% currency & portfolio adj.



**+4%**

## EBIT

in € million



**+29%**

## EBITDA

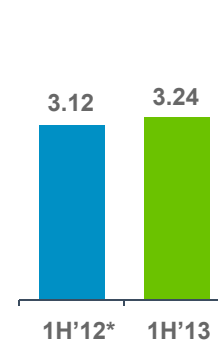
adjusted\*  
in € million



**+1%**

## Core EPS

in €



**+4%**

# FY 2013 Group Outlook – Maintained, Even Though Increasingly Ambitious After Q2 Results



Sales Δ Fx and portfolio adjusted, EBITDA before special items

	2012	Δ vs. 2011	2013e
<b>Sales</b>	€39.7bn	+5%	+4-5% to ~€40-41bn*
<b>adj. EBITDA</b>	€8.3bn	+9%	mid-single-digit % increase
<b>Core EPS</b>	€5.30	+10%	high-single-digit % increase

# 70%

2012 CAGR 2015e

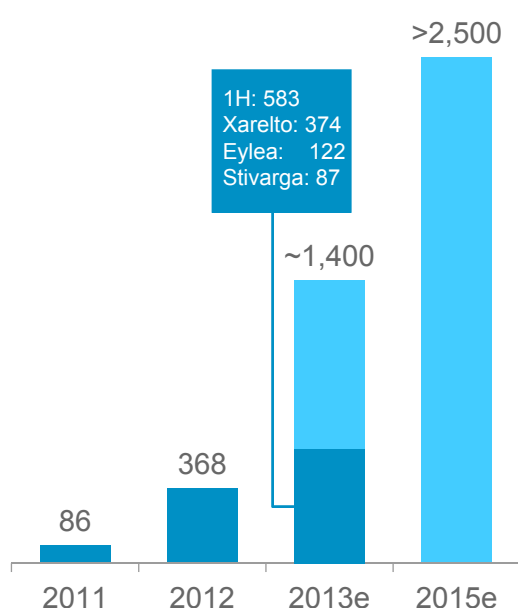
## Pharma: Sales Growth Acceleration Driven by New Products & Emerging Markets

Page 9 • Bayer Investor Handout • Q2 2013

### Pharma – New Products Drive Growth and Rejuvenate Portfolio



Sales from new Pharma products in €m



- Strong launch execution, targeting >€800m sales in 2013



- Roll-out in wAMD underway, approval in CRVO 2H 2013e



- Launched in US and Japan, positive CHMP opinion received (June 2013)



- Launched in the US, filed in EU (Dec. 2012)



- Submitted for PAH and CTEPH (Feb. 2013), positive US FDA AdCom recommendation

Page 10 • Bayer Investor Handout • Q2 2013

CTEPH: chronic thromboembolic pulmonary hypertension; CRVO: central retinal vein occlusion; PAH: pulmonary arterial hypertension; wAMD: wet age-related macular degeneration

# Xarelto – Development in Selected Markets



Status as of August 2013



**Germany:** most successful launch ever in the cardiovascular market; market share<sup>1</sup> at ~37% (dabigatran ~11%, apixaban ~2%)



**Japan:** 2-week prescription limitation lifted end of April 2013; market share<sup>2</sup> at ~21% (market share as of 1<sup>st</sup> of April: 9%)



**France:** Xarelto maintained leadership over dabigatran; market share<sup>1</sup> increased to ~19% (dabigatran ~16%)



**Brazil:** successful launch; market share<sup>3</sup> ~36% (dabigatran ~20%); Xarelto with 45% new patients and 55% switchers



**Switzerland:** excellent launch performance, making Xarelto the No. 1 in the retail market for anticoagulants; market share at ~47%



**US<sup>4</sup>:** steady uptake; surpassing warfarin in NBRx share in the cardiology AC market: Xarelto at ~40% (warfarin ~33%, dabigatran ~12%, apixaban ~ 16%)

# Xofigo – A New Treatment for CRPC Patients with Bone Metastases



**Xofigo**®  
radium Ra 223 dichloride injection



- ~900,000 men diagnosed with prostate cancer worldwide, up to 90% of patients with CRPC develop bone metastases<sup>1</sup>
- First in class alpha-pharmaceutical delivering high energy, short ranging alpha-particles
- 44% improvement in overall survival in phase III trial
  - Demonstrated delay in time to first skeletal-related event
- Roll-out in the US for CRPC with symptomatic bone metastases and no known visceral metastatic disease started in Q2'13
- Submitted for CRPC in Europe (Dec 2012)

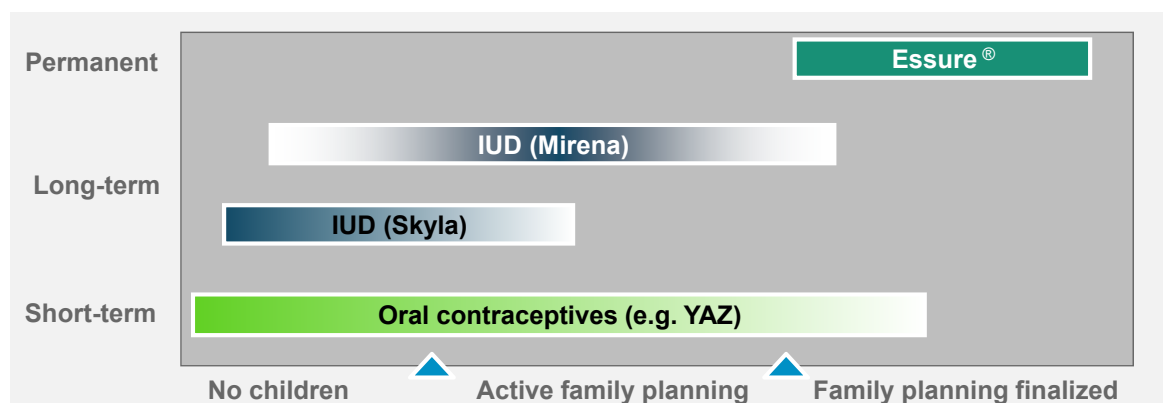
Global peak sales potential ≥ €1bn



# Strengthening Women's Health Business – Acquisition of Conceptus, Inc.



- Bayer successfully completed the public tender offer to acquire all shares in Conceptus for a purchase price of €780m
- US-based company developing the Essure® procedure, the leading non-surgical permanent birth control method proven by >700,000 procedures
- Significant synergies expected from leveraging existing business power



# #1

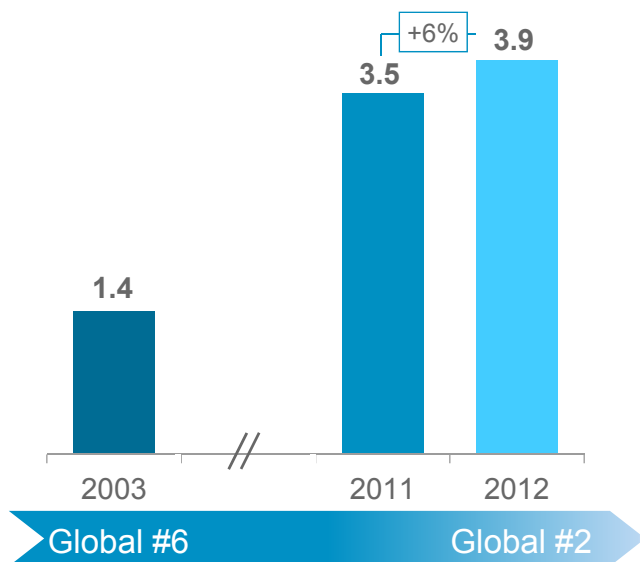
## Aspire to Become the Leading OTC Company

# Consumer Care – Aspire to Become the World-Leading OTC Company



In € billion, Δ% yoy Fx adjusted

## Sales Development\*



- Built global #2 position through combination of organic growth and targeted acquisitions
- Track record of performance – continued to gain share in 2012
- Product portfolio of some of the world's most recognized brands
- Further growth opportunities in selected emerging markets

# Strong Consumer Brands Build Equity for Decades



Brands	Years Old	2012 Sales €m	3-Year CAGR
	113	970*	7%
	81	197#	12%
	78	101	1%
	69	196	5%
	68	269	12%
	40	250	9%
	19	323	12%

# Innovation at OTC – New Product Development with Aspirin



# Strengthening Our OTC Business – Acquisition of Steigerwald GmbH



- Bayer acquired Steigerwald Arzneimittelwerk GmbH for a provisional one-time payment of ~€222m in July 2013
- Steigerwald generated net sales of €61.3m in 2012 (~90% in Germany)
- Steigerwald produces herbal drugs, its 2 core brands make ~90% of sales
- Significant sales synergies expected due to our complementary OTC business

## Iberogast®

- Treatment of functional dyspepsia & irritable bowel syndrome



## Laif®

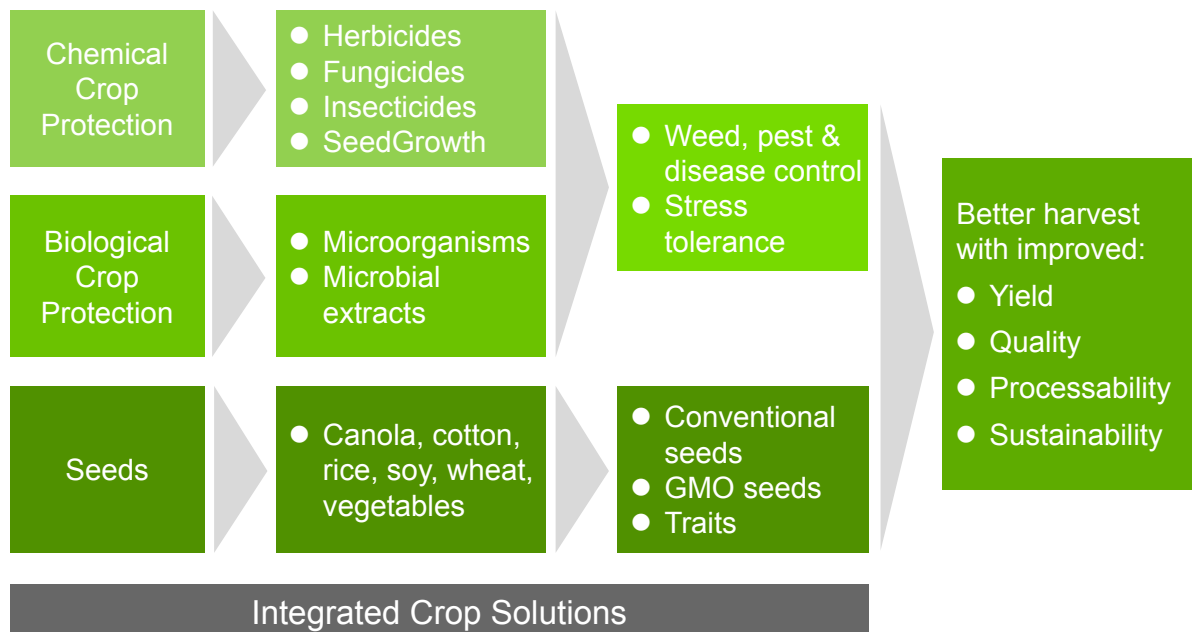
- St John's wort based medicine for treatment of depression



# 6% 2012 CAGR 2015e

## CropScience: Targeting Above Market Growth at Benchmark Profitability

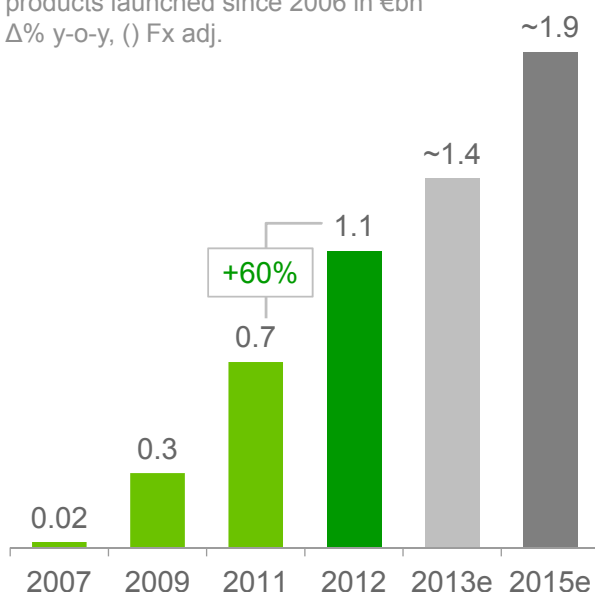
### Leading the Way in Integrated Crop Solutions



# CropScience – Translate R&D Effectively into New Product Sales



Sales from new Crop Protection products launched since 2006 in €bn  
 Δ% y-o-y, () Fx adj.



## 2012 Highlights

- Xpro (+61%) - New cereal fungicide with yield-boosting effect
- Adengo herbicide family (+85%) - Excellent weed control in corn and cereals, also in case of glyphosate resistance
- Belt (+54%) - Broad-spectrum insecticide with fast and long-lasting action
- Launch of Luna fungicide in the US
- First launch of new SeedGrowth family EverGol/Emesto in Canada

# Bolt-on Acquisitions to Strengthen CropScience Portfolio



		Region	Technology	Product / Portf.
Biologics	● <b>AgraQuest (07/12)</b> ~€375m	> 30 countries	Biologics	Fungicides Insecticides
	● <b>Prophyta (01/13)</b> €25m (provisional)	Germany	Biologics	Fungicides Nematicides
Seeds	● <b>Wehrtec, Wehrmann (03/13)</b> €37m + milestones	Brazil	Seeds Germplasm	Soybean
	● <b>Abbott &amp; Cobb (07/12)</b> ~€43m	US	Seeds	Watermelon Melon
	● <b>Hornbeck (04/11)</b> €30m	US	Seeds, Breeding Germplasm	Soybean
	● <b>Raps GbR (10/11)</b> €26m	Europe	Seeds, Breeding	Oilseed rape

# CFROI ↑

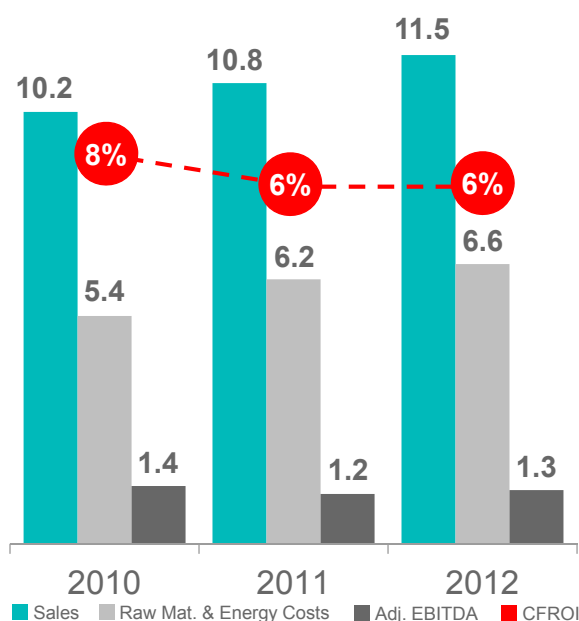
## MaterialScience: Aspire to Earn a Premium Over Cost of Capital

Page 23 • Bayer Investor Handout • Q2 2013

### Selling Price Increases & Savings Not Sufficient to Protect Earnings



In € bn



- Market growth trends intact, key products with mid-single digit volume growth
- High raw material prices and significant capacity additions led to global overcapacities and margin pressure
- Going forward demand & supply balance expected to improve
- Anticipated margin improvement supported by fresh savings from new efficiency initiative

Page 24 • Bayer Investor Handout • Q2 2013

# Profitability Improvement Through New Efficiency Initiative Until 2015



- New efficiency initiative improves cost structure and increases adjusted EBITDA margin by 150bp
- Initiative comprises more than 100 measures across the entire value chain

Examples	
Business Units	<ul style="list-style-type: none"><li>• Consolidation of system houses</li><li>• Pricing excellence programs</li></ul>
Organization	<ul style="list-style-type: none"><li>• Optimization of regional structures (e.g. Canada &amp; US)</li></ul>
Production	<ul style="list-style-type: none"><li>• Further initiatives to improve asset productivity (e.g. maintenance schedules, engineering setup)</li></ul>
Supply Chain	<ul style="list-style-type: none"><li>• Optimization of logistics services</li></ul>
Selling & Administration	<ul style="list-style-type: none"><li>• Further reduce costs by leveraging established global ERP platform and standardized processes</li></ul>

150 years

... and Optimistic for Future Developments

# Solid 1H 2013 – Track Record of Performance Expected to Continue



- Business performance predominantly driven by HealthCare and CropScience contributing 70% of sales and 85% of earnings
- Significant new product opportunities at our Life-Science businesses
- Continued strong emerging markets business momentum
- Full-year 2013 group outlook projects higher sales and earnings
- Aspire to grow HealthCare and CropScience by 6% CAGR until 2015



## Appendix



# HealthCare – Building Growth Momentum, Improving Margins



Published on Feb 28, 2013, Target 2013 as of July 31, 2013

Sales  $\Delta$  Fx & portf. adjusted, margin = EBITDA before special items to sales

Priority	2012	Target 2013*	Aspiration 2015
<ul style="list-style-type: none"> <li>HealthCare: Accelerate sales growth</li> </ul>	€18.6bn	mid-single-digit % to ~€19bn	CAGR ~6% towards €22bn
<ul style="list-style-type: none"> <li>Pharma: Successfully commercialize new products and realize emerging markets (EM) opportunity                             <ul style="list-style-type: none"> <li>New product sales<sup>1</sup></li> <li>EM growth</li> </ul> </li> </ul>	€10.8bn	high-single-digit % to >€11bn	CAGR ~7% towards €13bn
<ul style="list-style-type: none"> <li>Consumer Health: Aspire to become #1 OTC company</li> </ul>	€7.8bn	mid-single-digit % to ~€8bn	~€9bn
<ul style="list-style-type: none"> <li>HealthCare: Improve margins                             <ul style="list-style-type: none"> <li>Pharma</li> <li>Consumer Health</li> </ul> </li> </ul>	27.5% 29.9% 24.2%	slightly up up below PY	towards 29% ≥31% ~25%

<sup>1</sup> Xarelto, Eylea, Stivarga, Xofigo and Riociguat; subject to regulatory approval

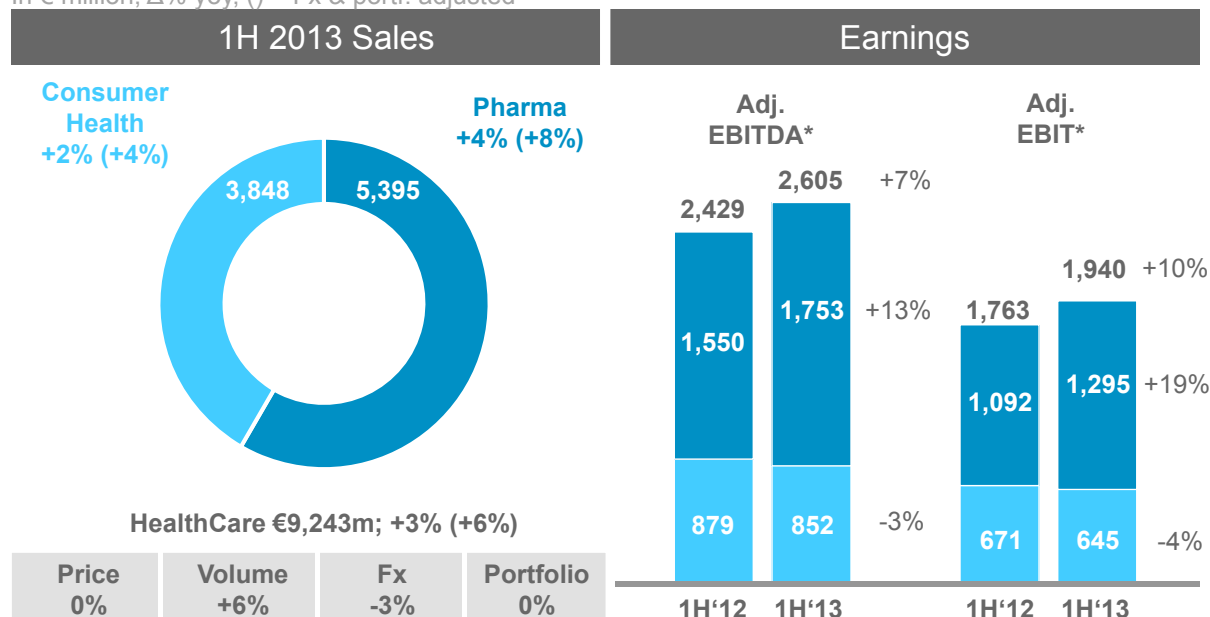
\*Assuming Fx rates of H1 2013

Outlook depends on specific planning assumptions as detailed in the Annual Report

# 1H 2013 – HealthCare Performance



In € million,  $\Delta$ % yoy, () = Fx & portf. adjusted



\*before special items

# CropScience – Above Market Growth at Benchmark Profitability



Published on Feb 28, 2013

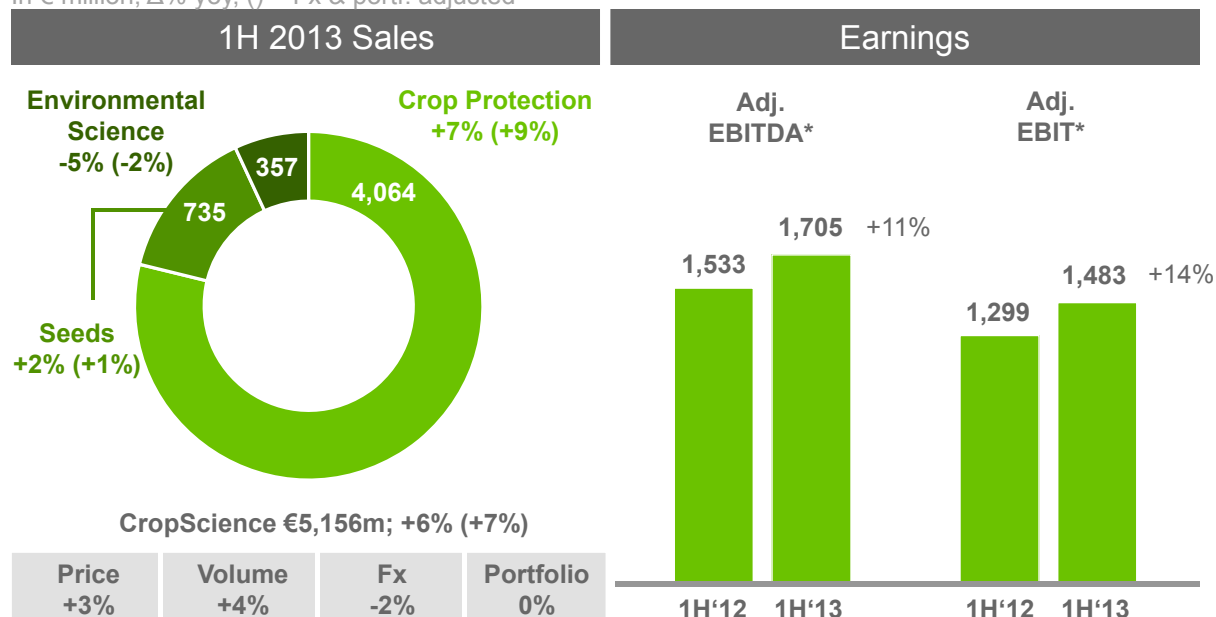
Sales  $\Delta$  Fx & portf. adjusted, margin = EBITDA before special items to sales

Priority	2012	Target 2013*	Aspiration 2015
• Above-market sales growth	+12.4% to €8.4bn	high-single digit % towards €9bn	CAGR ~6% towards €10bn
• Translate R&D effectively into new product sales ( <i>CP products launched since 2006</i> )	€1.1bn	~€1.4bn	~€1.9bn
• Extend seeds footprint	+14%	double-digit % growth	double-digit % growth p.a.
• Maintain industry leading profitability level	24.2%	slight improvement	~24%

# 1H 2013 – CropScience Performance



In € million,  $\Delta$ % yoy, ( ) = Fx & portf. adjusted



# MaterialScience – Higher Asset Utilization & Efficiency Measures Are Driving Performance



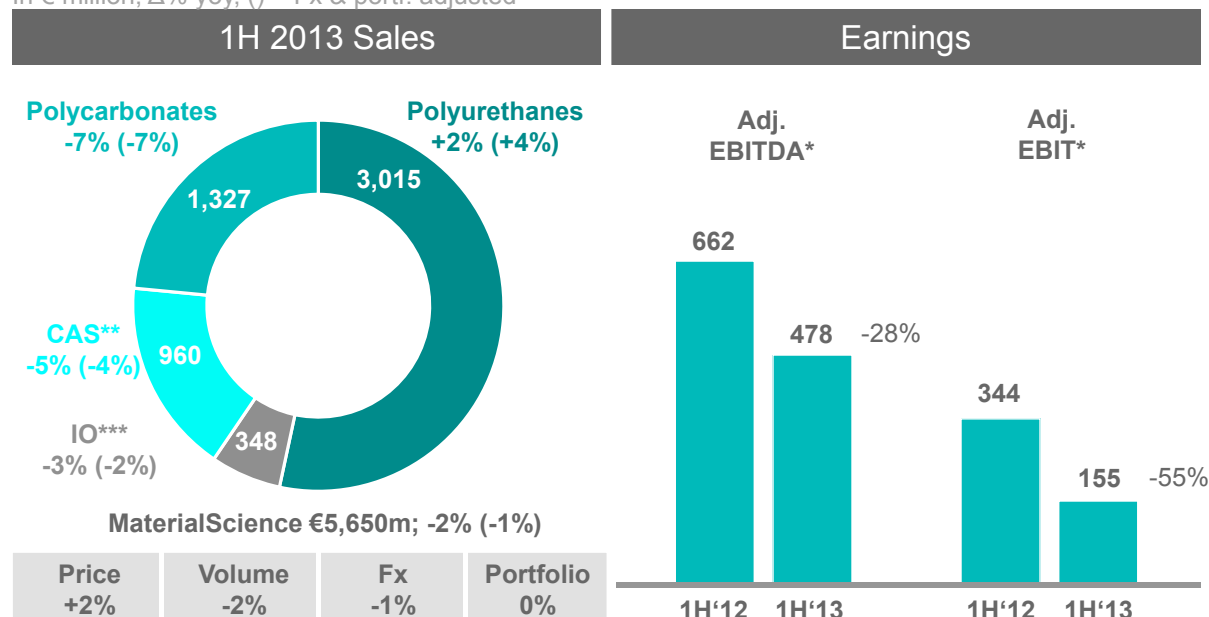
Published on Feb 28, 2013; Target 2013 as of July 31, 2013  
Sales  $\Delta$  Fx & portf. adjusted, margin = EBITDA before special items to sales

2012	Guidance 2013	Aspiration 2015
<ul style="list-style-type: none"> <li>• Sales +2.9% to €11.5bn (volumes +2%)</li> <li>• Adj. EBITDA +8% to €1,262m</li> <li>• CFROI# 5.7% &lt; WACC 7.1%</li> </ul>	<ul style="list-style-type: none"> <li>• Sales: not quite reach prior-year figure</li> <li>• Adj. EBITDA: below prior-year figure</li> <li>• Q3'2013 vs Q2'2013: Sales and adj. EBITDA to increase</li> </ul>	<ul style="list-style-type: none"> <li>• Grow business (volume) above global GDP</li> <li>• Defend market leading positions in PCS and PUR</li> <li>• Realize 150 bp margin contribution through new efficiency initiative</li> <li>• Optimize asset structure in Germany</li> <li>• CFROI# &gt; WACC</li> </ul>

## 1H 2013 – MaterialScience Performance



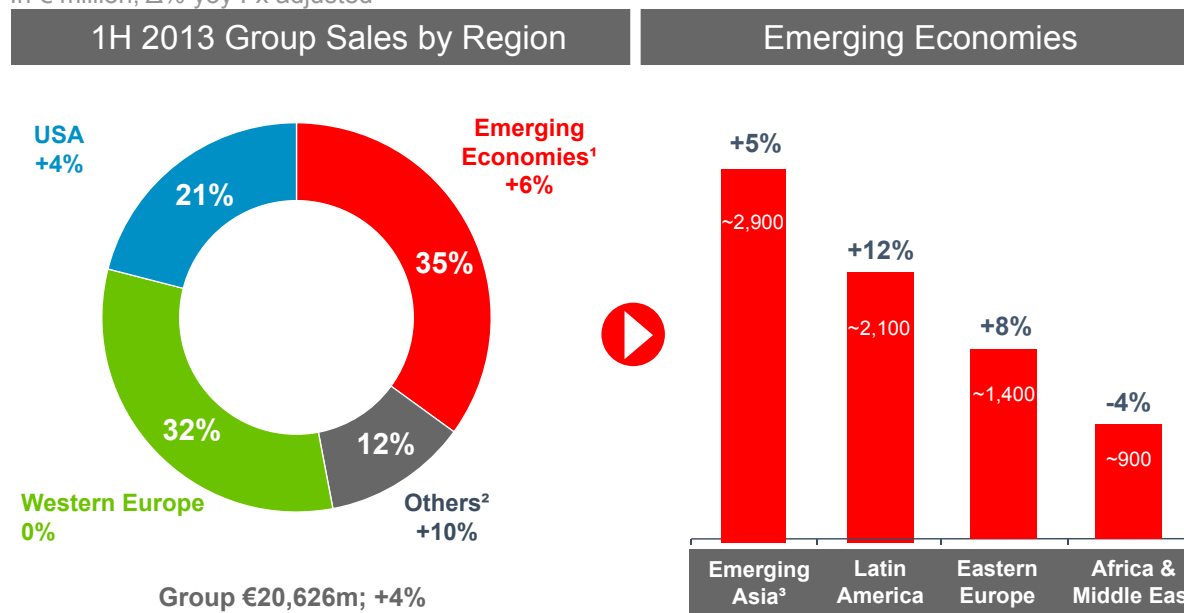
In € million,  $\Delta$ % yoy, () = Fx & portf. adjusted



# 1H 2013 – Regional Performance



In € million, Δ% yoy Fx adjusted

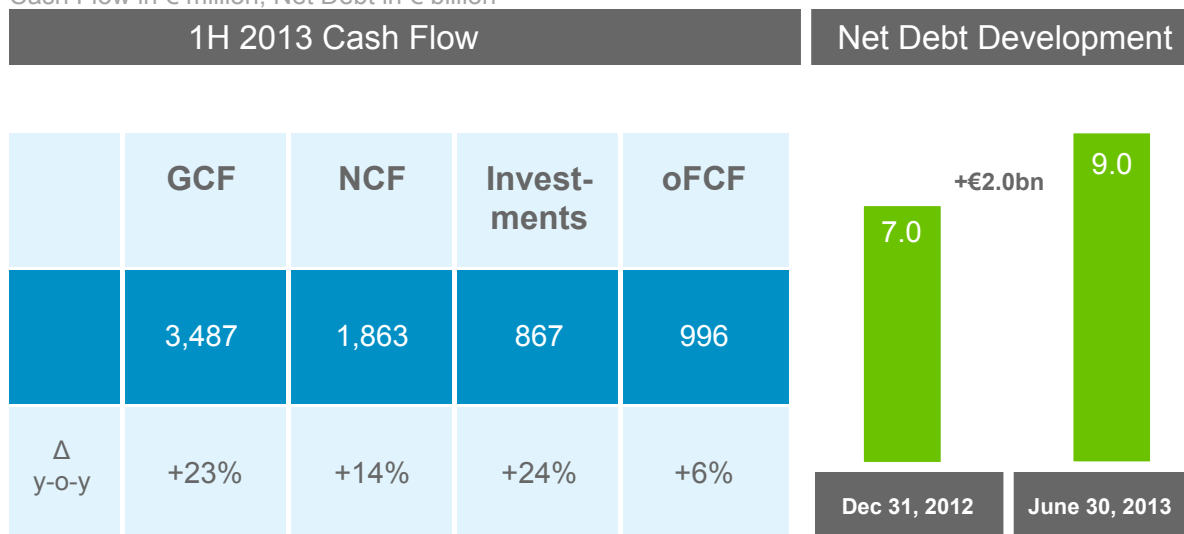


<sup>1</sup> Emerging economies include: Latin America, Asia w/o Japan, Australia, New Zealand, Africa and Middle East incl. Turkey, Eastern Europe  
<sup>2</sup> Others = Japan, Australia, New Zealand, Canada  
<sup>3</sup> Emerging Asia = Asia w/o Japan, Australia, New Zealand

# 1H 2013 – Cash Flow And Net Debt



Cash Flow in € million, Net Debt in € billion





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Science For A Better Life

Date	Event	Publication
Tuesday, October 8, 2013	Meet Management in London	Investor Conference
Thursday, October 31, 2013	Investor Conference Call	Third Quarter 2013 Results Stockholders' Newsletter
Friday, February 28, 2014	Investor Conference Call	2013 Annual Report
Monday, April 28, 2014	Investor Conference Call	First Quarter 2014 Results Stockholders' Newsletter
Tuesday, April 29, 2014	Annual General Meeting	



**Reporting Events and AGM**



**150 Years**  
**Science For A Better Life**

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